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Notes for a Speech by the

Honourable Alvin Hamilton
Minister of Agriculture

to the

Alberta Wheat Pool

at the

Hotel Palliser,
Calgary

Monday, December 3rd, 1962.

Mr. Chairman:

This is my first address to the Alberta Wheat Pool. I did visit you once before briefly – for about 5 minutes – at one of your meetings, but this time I am more than pleased to have an opportunity to say a bit more.

As you know, I visited the Saskatchewan Wheat Pool on two occasions since becoming Minister of Agriculture and in the course of my remarks stirred up some controversy.

The first time I made news by sticking my neck out and forecasting an export volume of 300 million bushels, which, at the time, caused some scoffing. However, looking back on these 2 years, I find the export figures of 353 million and 358 million bushels fairly gratifying.

In my most recent speech to the Saskatchewan Wheat Pool it seems I was successful in provoking discussion on two

proposals which I put forward for consideration. I would like to review these two proposals for you now:

First, I asked farm organizations at all levels to consider and discuss in a fully objective manner the possibility of "setting aside" a portion of the final wheat payment with a view to building up a fund which would be used in sharing in any loss which may occur, should there be a non-payment or default from a customer purchasing on a credit basis. There is one point which I made perfectly clear in my initial statement and which I would like to emphasize again today, namely, that I am not suggesting that farmers take the entire risk of a loss on a credit sale.

Secondly, I proposed that the three Western Pools, and the United Grain Growers, acting cooperatively, consider forming a grain sales organization to enter, aggressively, first the domestic market, and, secondly, at a later stage, the export market, as a real selling agent of the Canadian Wheat Board.

The discussion that has followed has been most interesting. If nothing else, it certainly proved that there's a vast and deep misunderstanding, by high-placed people, of how the Canadian Wheat Board operates. I was aware of this misunderstanding long ago. To try and meet it, the Government put out a pamphlet, in both French and English, describing the operations of the Wheat Board.

Mr. Riddel, Assistant Chief Commissioner of the Canadian Wheat Board, also wrote a description of the Board's operations in a booklet which was published last Spring. Let me quote you the 2 key passages:

DOES WHEAT BOARD SELL GRAIN?

Once the grain has moved from country elevators to terminal positions it is then in a position of being applied against sales or becomes available for immediate sale. The question is often asked: "By whom is the wheat actually sold, The Canadian Wheat Board or the private grain trade?" To answer this question it is necessary to understand something more about the functions of the Board and, in particular, something of the relationship between the private export grain firms and the Board.

With this in mind, it would be well to refer to two Sections of the Canadian Wheat Board Act. Section 25 of the Act states: "The Board shall undertake the marketing of wheat produced in the designated area in interprovincial and export trade." The second Section referred to is Section 5 (1) which reads as follows: "Subject to regulations, the Board shall sell and dispose of grain acquired by it pursuant to its operations under this Act for such prices as it considers reasonable, with the object of promoting the sale of grain produced in Canada in world markets."

In the first Section the Board is given a mandatory instruction to undertake the marketing. In conformity with this objective it is given certain powers which are enumerated in the Act and which the Board must exercise in the process of marketing wheat in interprovincial and export trade.

The second Section lays down a merchandising policy and means that the

Board must be prepared to meet worldwide competition and to put forward its best efforts in maintaining and extending the markets for Canadian wheat.

WHEAT BOARD AGENTS

In carrying out its task of merchandising wheat, oats and barley produced in Western Canada, the Board endeavours to make full use of all agencies and services which it considers can usefully contribute to sales. The actual merchandising, particularly in the case of wheat, is a combined and complex operation involving the Board and its overseas offices, the entire Canadian grain trade in all its various functions, the railways and lake steamship companies, the Trade Commissioner Service and, in some instances, the Government of Canada.

Subject to certain standards and to having the necessary facilities, financial and otherwise, to offer wheat for sale in world markets, the Board enters into agreements with the shipping and exporting segments of the Canadian grain trade under which they undertake to act as agents of the Board for that purpose.

The value of the shippers and exporters in this connection is due to their knowledge of the domestic and export trade in grain and especially to the fact that the firms concerned are represented, either by direct office or otherwise, in practically every country in the world which imports grain. This branch of the grain trade represents a highly developed form of enterprise, alert and keenly competitive. The success in business of the companies engaged in export depends upon their

ability to sell grain in overseas markets in competition with others, and this requires considerable skill, knowledge and experience. The Board has considered their services most valuable in offering wheat for sale abroad.

DIRECT GOVERNMENT-TO-GOVERNMENT SALES OF WHEAT

In cases where a foreign government or an agency of a foreign government prefers to deal direct with the Board in the matter of the purchase of grain, the Board arranges to do so. On the other hand, it will not enter into direct competition with its own agents in sales to other importers, but it does encourage competition between its agents. To enter into competition with its agents would be most unethical as the agents do not receive a commission on sales from the Board but must rely on what they can earn by obtaining a sales price in excess of what they pay to purchase the wheat from the Board, which is the Board's asking price at time of purchase.

In recent years, with the freeing from wartime government restriction of much of the grain trade throughout the world, the actual portion of sales made directly by Board agents has continued to increase in relation to total sales. However, it may be of interest to know that in the past the Board has had master sales agreements with a number of countries; specifically, China, Dominican Republic, India, Japan, Norway, Pakistan, Poland, South Africa, the United Kingdom, Germany, Austria, Italy, Egypt, Ireland, Cyprus, Israel, Russia and Czechoslovakia.

Even when a sale is made directly by the Board, the agents still play an im-

portant role in its fulfilment as in most cases supplementary contracts, subject to the master sales agreements referred to above, are entered into between them and the buyer concerned. From that point the agent involved takes over in the same manner as if he had been instrumental in originating the sale.

Put very simply, there is a maximum effort being made today to sell Canadian wheat. There are 3 main approaches to our customers.

The great bulk of our cash sales are made by the private grain trade. I think there are some 40 companies licensed to sell grain by the Canadian Wheat Board. Some of them are large, tremendously efficient and aggressive. Thanks to their efforts, Canada's share in the cash markets of the world has increased in the past few years. No person appreciates their efforts more than I do, but can you blame me for trying to get them to do even better. Officials of any of these firms, who have visited me, know that I have talked frankly and clearly about what the Government expects these companies, who hold licences from the Canadian Wheat Board, to do.

The second group, who sell grain, are the Canadian Wheat Board officials. They not only service our customers, but are continuously pressing their counterparts, in other countries – both in the private grain trade and in Government – on the advantages of using Canadian wheat. I am sincerely grateful for the tremendous efforts our Wheat Board officials have made, both at home and abroad, to sell Canadian wheat. The following table will give you in some measure the success of their efforts.

Year	Quantity covered by master sales contracts	Total exports of wheat and flour	% of total exports covered by master sales contract
1955-56	3,993,000	312,260,000	1.27
1956-57	34,659,668	264,396,000	9.32
1957-58	41,407,000	320,293,000	12.92
1958-59	31,012,000	294,546,000	10.52
1959-60	32,345,000	277,291,000	11.66
1960-61	70,572,072	353,475,000	19.96
1961-62	100,172,483	357,800,000	27.99

The third force at work in the selling of Canadian wheat is the Government itself. Cabinet Ministers are consistently on the alert to raise the matter of Canadian grain with representatives of other Governments. We are assisted in this by the wonderful work of the Trade Commissioners all over the world and the diplomats.

The most important factor, however, is the Government's decision to move into credit sales. Last year, for example, over 100 million bushels, out of 358 million bushels, were sold on credit. Terms varied from 9 months to 3 years.

Credit sales are based on 2 types. First, there are sales to those countries which have a credit rating. These sales we can guarantee under Section 21 of the Export Credits Insurance Act, and, at the present time, approximately \$90 million are pledged under this Section. In fact, the second piece of legislation introduced at this session of Parliament was an amendment to Section 21 of the Export Credits Insurance Act, which doubled the amount – from \$200 million to \$400 million. This indicates the extent to which this Government is prepared to go to increase sales in countries where we can establish a credit rating.

The most dramatic sale in the past 2 years, however, has been the revolving credit sale to Mainland China. The Canadian Government guaranteed the Canadian Wheat Board that, if any losses occurred on this sale, they would be borne by all the people of Canada, not just the Western farmers. The Chinese have met every payment on time and, not only do we expect them to make every payment on time, but we are presently negotiating for another contract for 1963.

But let's not hide ourselves from the facts. The truth of the matter is that there is large-scale opposition to the China wheat sales. Some of it is based on principle: namely, that it is immoral to sell food to your potential enemies. This opposition is not restricted to far away places; it is right here in Western Canada. Let me read you a recent editorial from the Winnipeg Free Press:

"Everyone in Western Canada wants to see as much of our wheat as possible sold on the markets of the world, and under normal circumstances there can be no objection to selling it to Communist countries willing to buy it. But the price can be too high. It would be wiser, surely, to suspend the present negotiations until China's objectives are clarified."

I said it in Regina, and I repeat it here today, the Members of the Liberal and Social Credit parties are opposed to the China wheat sales. As recently as Friday, November 23rd, we had the leaders of these 2 parties putting their official stands on the House of Commons records.

To be very frank about it, sales of wheat to China are a very live political issue. The stand of the Government is that we are pre-